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Required Report - public distribution

Date: 11/27/2012

GAIN Report Number: ID1243

Indonesia

Coffee Semi-annual

2012

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Report Highlights:

- Post predicts that Indonesia's coffee production will increase to 9.7 million bags green bean equivalent (GBE) in MY 2012/2013 over 8.3 million 60 kg bags in MY 2011/2012. The increase is principally due to good weather during the harvest period.
- Indonesian coffee consumption is expected to grow from 2.36 million bags in MY 2011/2012 to 2.54 million bags in MY 2012/2013. Consumption growth is primarily driven by growth in instant and mixed coffee products, as well as significant national growth in the coffee shop sector.
- Indonesia's higher coffee production will result in lower imports, higher exports, and increased ending stock in MY 2012/2013.

Commodities:

Coffee, Green

Production:

Post's annual coffee report published on May 2012 predicted that Indonesian coffee production will grow by 17 percent to 9.7 million bags GBE in MY 2012/2013. Post maintains this prediction, due to supportive weather patterns during the harvest season.

The persistently dry conditions during the harvest period in most of Indonesia's coffee producing provinces helped coffee farmers to achieve higher yields and better quality of coffee beans. Good weather also supported farmers' post harvest activities, such as drying the beans and getting them to market. *(Please see appendix 1 for more complete rainfall charts.)*

Region	Harvest Time	
	Normal Period	Peak Period
Southern Sumatra (South Sumatra, Lampung, and Bengkulu)	May 2012- September 2012	July 2012 – August 2012
Java & Bali		
Southern Sulawesi (Toraja)		
East Nusa Tenggara (Flores)		
Northern Sumatra (Gayo and Mandheling)	September 2012 – March 2013	December 2012 – January 2013

The above table reflects that only Northern Sumatra experienced a harvest period which overlapped with the rainy season. Normally, Indonesia's rainy season runs from October to March. Rainfall data from Indonesian Weather Service (BMKG) reflects that Northern Sumatra received moderate rainfall in September and October 2012. BMKG forecasts that rainfall in Northern Sumatra will remain moderate through January. The rainfall situation suggests that coffee farmers in Northern Sumatra should have no significant disturbances in their harvest and post-harvest activities. Northern Sumatra accounts for approximately 15 percent of total Indonesian coffee production.

Consumption:

Indonesian coffee consumption is predicted to grow from 2.36 million bags GBE in MY 2011/2012 to 2.54 million bags GBE in MY 2012/2013. Continued growth in mixed and retail ready coffee products, (mostly instant coffee and related products) as well as growth in coffee shops around Indonesia is the primary drivers of coffee consumption growth.

No.	Brand	Year Released	Company/Producers	Number of Variants as of 2012
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1	Kapal Api	1992	Santos Jaya Abadi	2
2	ABC	1996		4
3	Ya!	1998		2
4	Good Day	2001		9
5	Grande Java Latte	2012		1
6	Fresco	2012		2
7	Nescafe	1979	Nestle Indonesia	11
8	Torabika	1980	Mayora	8
9	Indocafe	1985	Sari Incofood Corp	4
10	Top Coffee	2012	Wings Food	2
11	White Koffie	2011	Java Prima Abadi	2
12	Kuku Bima	2011	SidoMuncul	2
13	Kopi Singa	2011	Puji Surya Indah	2

Indonesian coffee consumption is made up of two major segments, which includes roasted and grounded (R&G) and soluble (instant) coffee. R&G coffee accounts for 70 percent of total consumption. 30 percent of total Indonesian consumption is instant coffee products. Mixed coffee products, or 3-in-1 coffee, are also a major driver of Indonesian coffee consumption growth. Mixed coffee products are a unique in that they are a hybrid between R&G and instant coffee segments. Powdered R&G and instant coffee powder is mixed with sugar and non-dairy creamer into small packets to make 3-in-1. The packets are sold at street kiosks and small stores throughout Indonesia and are consumed by every socio-economic level. One packet of mixed 3-in-1 coffee sells for roughly \$0.10 - 0.15 per packet.

PT. Mayora, Nestle Indonesia, and PT. Indofood introduced 3-in-1 coffee products to Indonesian market in the late 1980s. Other companies followed in the 1990's by introducing Kapal Api and ABC brands. The company introduced another two brands i.e. Good Day in 2001 and Grande Java Latte and Fresco in 2012. More recently, the Indonesian mixed coffee mix market has seen a number of new players that are introducing more premium products. These products tend to include other flavors and food ingredients such as vanilla latte, mocha, chocolate, cappuccino, cafe latte, ginger, ginseng, royal jelly, vitamins and artificial sweeteners. *(Please see appendix 2.a and 2.b depicting several coffee mix products in Indonesian coffee market)*

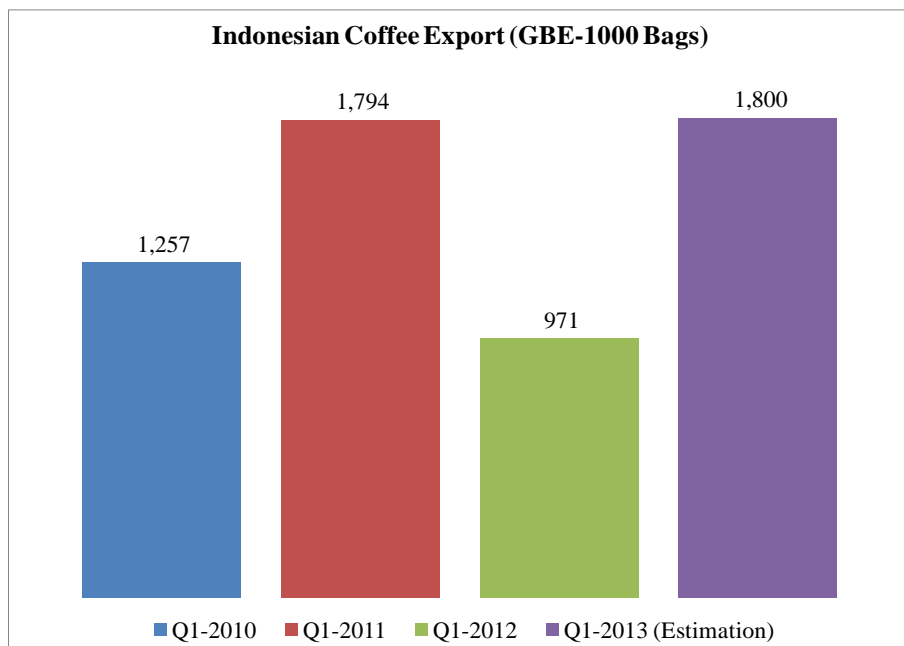
The growing number of coffee shops in big and secondary cities around the archipelago is another strong driver of coffee consumption in Indonesia. Many coffee shops use local brand names and serve specialty Indonesian coffees, to include civet coffee, Toraja, Kintamani, Mandheling, Gayo, and Flores. International chains such as Starbucks and Coffee Bean are also popular. Post expects that Indonesia's large young population, rapid urbanization and expanding middle class will continue coffee consumptions growth in Indonesia.

Trade:

Post expects Indonesia to see higher levels of coffee exports and lower levels of imports due to higher yields during the most recent harvest. Exports are expected to increase to 8.1 million bags GBE in MY 2012/2013 over 7.18 million bags GBE in MY 2011/2012. By contrast, import will decrease from 700,000 bags GBE in MY 2011/2012 to 350,000 bags GBE in MY 2012/2013.

Stocks:

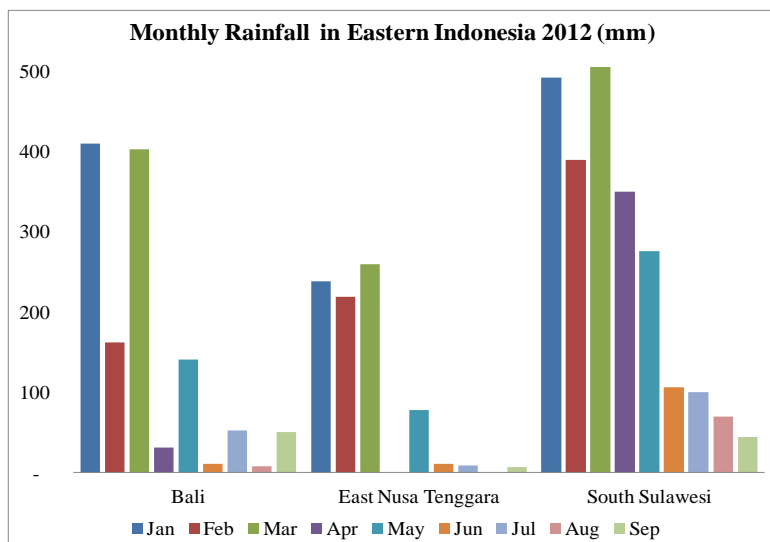
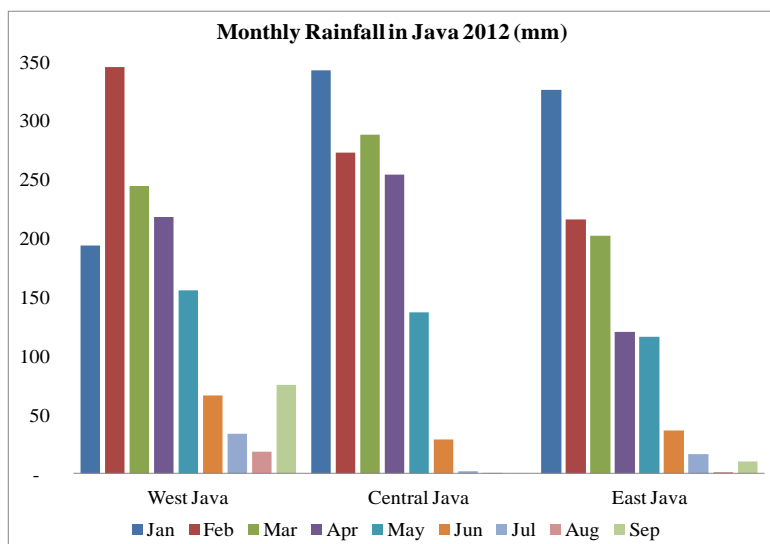
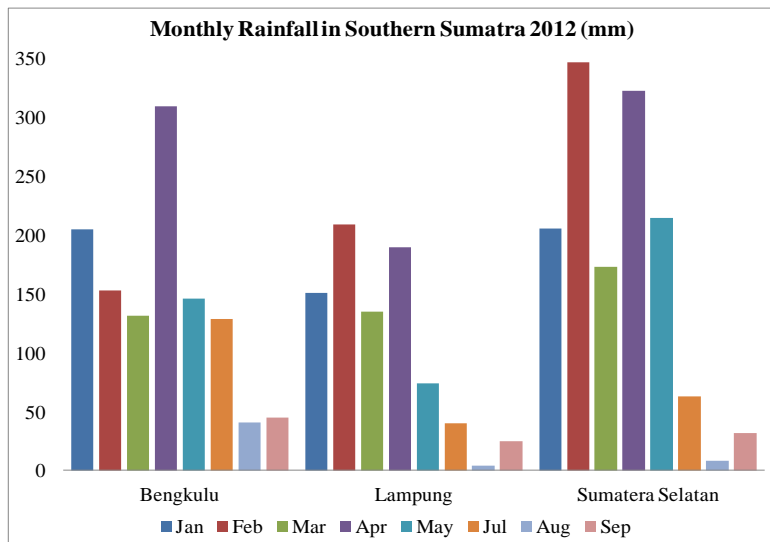
A significant drop in Indonesian coffee production in 2011 resulted in low carry-over stocks in the first quarter (Q1) 2012 (Please see [Indonesian Coffee Annual Report 2012](#) for further information on Indonesian coffee production in 2011). Consequently, Indonesian coffee exports sharply decreased by 45 percent from nearly 1.8 million bags GBE in Q1-2011 to 0.97 million bags GBE in Q1-2012.



Source: GTIS

According to Post contacts, higher coffee production in 2012 will result in larger carry-over stock in Q1-2013 at around 20 percent of total 2012 production (*1.94 million bags GBE*). Post predicts that Indonesia's coffee export levels in Q1-2013 will reach similar level with that of Q1-2011 at 1.8 million bags GBE. Ending stocks of coffee in MY 2012/2013 will stand at roughly 148,000 bags GBE.

Appendix 1



Appendix 2.a. List of Major Coffee Mix Products



Appendix 2.b. List of New Coffee Mix Products



Production, Supply and Demand Data Statistics:

Coffee, Green Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1,265	0	1,250	0	1,170
Area Harvested	0	1,165	0	1,150	0	1,080
Bearing Trees	0	1,230	0	1,215	0	1,140
Non-Bearing Trees	0	105	0	105	0	95
Total Tree Population	0	1,335	0	1,320	0	1,235
Beginning Stocks	1,603	1,603	83	83	88	88
Arabica Production	1,375	1,375	1,300	1,300	1,700	1,700
Robusta Production	7,950	7,950	7,000	7,000	8,000	8,000
Other Production	0	0	0	0	0	0
Total Production	9,325	9,325	8,300	8,300	9,700	9,700
Bean Imports	160	160	700	700	350	350
Roast & Ground Imports	0	0	135	135	150	150
Soluble Imports	375	375	400	400	500	500
Total Imports	535	535	1,235	1,235	1,000	1,000
Total Supply	11,463	11,463	9,618	9,618	10,788	10,788
Bean Exports	7,375	7,375	4,675	4,675	6,100	6,100
Rst-Grnd Exp.	0		0	0	0	0
Soluble Exports	2,305	2,305	2,500	2,500	2,000	2,000
Total Exports	9,680	9,680	7,175	7,175	8,100	8,100
Rst,Ground Dom. Consum	1,225	1,225	1,955	1,955	1,840	1,840
Soluble Dom. Cons.	475	475	400	400	700	700
Domestic Use	1,700	1,700	2,355	2,355	2,540	2,540
Ending Stocks	83	83	88	88	148	148
Total Distribution	11,463	11,463	9,618	9,618	10,788	10,788
Exportable Production	7,625	7,625	5,945	5,945	7,160	7,160
TS=TD		0		0		0
Comments						
AGR Number						